

**REPORT OF THE AUDIT OF THE
ANDERSON COUNTY
CLERK**

**For The Year Ended
December 31, 2004**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Anthony Stratton, Anderson County Judge/Executive
Honorable Harold Ritchey, Anderson County Clerk
Members of the Anderson County Fiscal Court

The enclosed report prepared by Mountjoy and Bressler, LLP, Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Anderson County, Kentucky, for the year ended December 31, 2004.

We engaged Mountjoy and Bressler, LLP, to perform the audit of this statement. We worked closely with the firm during our report review process; Mountjoy and Bressler, LLP evaluated the Anderson County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ANDERSON COUNTY CLERK

**For The Year Ended
December 31, 2004**

Mountjoy and Bressler, LLP has completed the Anderson County Clerk's audit for the year ended December 31, 2004. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$82,434 from the prior year, resulting in excess fees of \$113,714 as of December 31, 2004. Revenues increased by \$16,721 from the prior year and expenditures increased by \$99,155.

Debt Obligations:

Capital lease principal agreements totaled \$59,428 as of December 31, 2004.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

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The Honorable Anthony Stratton, Anderson County Judge/Executive
Honorable Harold Ritchey, Anderson County Clerk
Members of the Anderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Anderson County, Kentucky, for the year ended December 31, 2004. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.



The Honorable Anthony Stratton, Anderson County Judge/Executive
Honorable Harold Ritchey, Anderson County Clerk
Members of the Anderson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2005, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Anderson County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Mountjoy & Bressler, LLP.

Mountjoy and Bressler, LLP

Audit fieldwork completed -
June 22, 2005

ANDERSON COUNTY
HAROLD RITCHEY, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

State Fees For Services		\$	8,260
Fiscal Court			6,066
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	717,909	
Usage Tax		1,925,137	
Tangible Personal Property Tax		1,459,936	
Other-			
Fish and Game		6,186	
Marriage		5,934	
Occupational		28,534	
Deed Transfer Tax		98,279	
Delinquent Tax		231,976	4,473,891
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		18,996	
Real Estate Mortgages		61,382	
Chattel Mortgages and Financing Statements		59,566	
Powers of Attorney		1,660	
All Other Recordings		30,646	
Charges for Other Services-			
Print County Tax Bills		5,496	
Copywork		7,669	
State & Federal Liens		5,748	
Notary Bonds & Fees		1,612	192,775
Other:			
Title Applications and Handicap Parking Tags		11,939	
Election Income and Filing Fees		1,776	
Postage		673	
Miscellaneous		2,340	16,728

The accompanying notes are an integral part of this financial statement.

ANDERSON COUNTY
HAROLD RITCHEY, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2004
(Continued)

Revenues (Continued)

Refunds and Overpayments	\$	15,162
Interest Earned		<u>1,648</u>
Total Revenues		4,714,530

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	549,352
Usage Tax		1,862,737
Tangible Personal Property Tax		568,418

Licenses, Taxes, and Fees-

Fish and Game		5,965
Delinquent Tax		29,341
Legal Process Tax		<u>21,316</u>
		3,037,129

Payments to Fiscal Court:

Tangible Personal Property Tax	123,561	
Delinquent Tax	24,247	
Deed Transfer Tax	93,365	
Occupational Licenses	<u>27,107</u>	268,280

Payments to Other Districts:

Tangible Personal Property Tax	709,559	
Delinquent Tax	<u>124,846</u>	834,405

Payments to Sheriff 2,021

Payments to County Attorney 32,863

ANDERSON COUNTY
HAROLD RITCHEY, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2004
(Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay:

Personnel Services-			
Deputies' Salaries	\$	214,077	
Employee Benefits-			
Employer's Share Social Security		20,794	
Employer's Share Retirement		21,447	
Employer's Paid Health Insurance		30,832	
Other Payroll Expenditures		3,940	
Contracted Services-			
Printing and Bindings		2,117	
Filing Fees		360	
Materials and Supplies-			
Office Supplies		10,447	
Other Charges-			
Conventions and Travel		2,483	
Dues		600	
Postage		5,531	
Reimbursements		15,852	
Miscellaneous		69	
Capital Outlay-			
Equipment Lease		23,897	
Equipment Repair and Service Contract		1,354	
Office Equipment		150	
Cell Phone		522	
		<u>522</u>	<u>\$ 354,472</u>
Total Expenditures			<u>4,529,170</u>
Net Revenues			185,360
Less: Statutory Maximum			<u>64,953</u>
Excess Fees			120,407
Less: Expense Allowance		3,600	
Training Incentive Benefit		<u>3,093</u>	<u>6,693</u>
Excess Fees Due County for 2004			113,714
Payments to Fiscal Court - February 9, 2005			<u>113,714</u>
Balance Due Fiscal Court at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

ANDERSON COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2004
 (Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2004, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Leases

The Clerk's office was committed to the following lease agreements as of December 31, 2004:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2004
Postage Machine	\$ 29	4 years	12/21/05	\$ 328
Software	\$ 800	5 years	06/30/07	\$ 24,000
Software Update	\$ 1,170	5 years	06/30/07	\$ 35,100

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Anthony Stratton, Anderson County Judge/Executive
Honorable Harold Ritchey, Anderson County Clerk
Members of the Anderson County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Anderson County Clerk for the year ended December 31, 2004, and have issued our report thereon dated June 22, 2005. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Anderson County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Anderson County Clerk's financial statement for the year ended December 31, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Mountjoy & Bressler, LLP.

Mountjoy & Bressler, LLP

Audit fieldwork completed -
June 22, 2005

